Credit Rating Report | South African RMBS Analysis | Public Ratings | 29 November 2019

Fox Street 7 (RF) Limited

Class	Rating Class	Rating Scale	Rating	Outlook / Watch	Stock Code	Amount (ZAR)	Legal Maturity
Class A1	Issue Long Term	National	AAA $_{(ZA)(sf)}$	Stable Outlook	FS7A1	200,000,000	20 Nov 2022
Class A2	Issue Long Term	National	AAA $_{(ZA)(sf)}$	Stable Outlook	FS7A2	400,000,000	20 May 2049
Class A3	Issue Long Term	National	AAA $_{(ZA)(sf)}$	Stable Outlook	FS7A3	400,000,000	20 May 2049
Class B1	Issue Long Term	National	AAA $_{(ZA)(sf)}$	Stable Outlook	FS7B1	60,000,000	20 May 2049

Rating Action

GCR Ratings ("GCR") has accorded the following national scale, long-term, issue credit ratings to the following Notes issued by Fox Street 7 (RF) Limited ("Fox Street 7" or the "Issuer") on 29 November 2019:

- Class A1 Notes, stock code FS7A1; AAA$_{(ZA)(sf)}$ Stable Outlook;
- Class A2 Notes, stock code FS7A2; AAA$_{(ZA)(sf)}$ Stable Outlook;
- Class A3 Notes, stock code FS7A3; AAA$_{(ZA)(sf)}$ Stable Outlook;
- Class B1 Notes, stock code FS7B1; AAA$_{(ZA)(sf)}$ Stable Outlook.

The Transaction has a Subordinated Loan of R179.6m, which is unrated.

The credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by their Final Redemption Date, whilst the ratings on the Class B Notes relate to ultimate payment of interest and ultimate payment of principal by their Final Redemption Date. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

Rating Rationale

GCR modelled the Transaction's cash flows according to its final capital structure and priorities of payments, applying its Criteria for Rating Structured Finance Transactions, September 2018 and Criteria for Rating Residential Mortgage Backed Securities ("RMBS"), November 2018. Fox Street 7's asset portfolio was modelled based on the earmarked (July 2019) pool provided to GCR, with defaults, recoveries, prepayments and arrears modelled according to GCR's standard RMBS methodology and assumptions. The rating outcome is a direct result of the modelling of the Transaction's cash flows in specific rating scenarios and is detailed further in the Rating Analysis section below.

Transaction Strengths

- The Transaction begins amortising from its inception, which implies a static asset portfolio (barring further advances) and, potentially, incremental build-up of additional credit enhancement as the notes amortise.
- The underlying earmarked portfolio of assets is of very high credit quality and historically has yielded few defaults and high recoveries. Approximately 47% of the assets have been held in Fox Street 1 (RF) Limited and Fox Street 2 (RF) Limited, previous Investec RMBS vehicles, and are well-seasoned.

- The Principal Deficiency Ledger ("PDL") mechanism provides early credit protection by directing excess interest earned towards redemption of Notes in proportion to defaults occurring on the underlying asset portfolio.

Transaction Weaknesses

- The replacement with a Standby Servicer on deterioration of the quality of the primary Servicer is provided for only on termination of the appointment of the primary Servicer, and not by a prior rating- or performance-based trigger. According to GCR's methodology, this may entail some risk of cash flow disruption. Such possible risk was modelled by GCR in its rating analysis by the removal of a full month of cash receipts from the cash flow model. See Rating Analysis section for more detail.
- The underlying assets show high historical prepayment behaviour, whose effect, while somewhat mitigated by high redraws, may impact the revenue generated by the asset portfolio as modelled by GCR and introduce term volatility.

Transaction Structure

Summary

Fox Street 7 is an RMBS securitisation of home loans originated by Investec Bank Limited ("Investec") to its private banking clients that issued an initial R1.06bn of secured Notes on 29 November 2019. Investec has previously executed six other similar Fox Street RMBS transactions.

The Issuer may use the proceeds of the issuance (a) to repay a warehousing facility that may be used to purchase a portfolio of home loans and Related Security (the "Participating Assets") from Investec and from other Approved Sellers – including Fox Street 1 (RF) Limited and Fox Street 2 (RF) Limited, existing Investec RMBS vehicles, or (b) to purchase such portfolio directly from the Sellers; and/or to fund applicable Transaction Reserves.

The purchase of the home loans will take place over the Asset Acquisition Pre-Funding Period, which ends on 29 May 2020. In the interim, the proceeds are housed as cash in the Capital Reserve and earn the Guaranteed Investment Contract ("GIC") rate. Any such cash not utilised for the purchase of home loans by at the end of the Pre-Funding Period will become Principal Available Funds and applied in accordance with the Pre-Enforcement Principal Priority of Payments, towards, *inter alia*, the redemption of Notes.

Notes Issued

The Notes constitute direct, limited recourse, secured obligations of the Issuer.

The claims of the Noteholders (whether in respect of principal, interest or otherwise) shall be subordinated to the claims of higher-ranking creditors in accordance with the relevant Priority of Payments.

Table 1: Assets vs Liabilities			
Assets	ZAR Amount	**Liabilities**	ZAR Amount
Earmarked Home Loan Portfolio	**1,173,416,031**	Class A1 Notes	200,000,000
Redraw Reserve	23,468,321	Class A2 Notes	400,000,000
Liquidity Reserve	21,788,767	Class A3 Notes	400,000,000
Mortgage Bonds Costs Registration Costs Reserve	948,000	Class B1 Notes	60,000,000
Capital Reserve	20,000,000	**Total Notes**	**1,060,000,000**
Total Reserves	**66,205,088**	Subordinated Loan	179,621,119
Total Assets	**1,239,621,119**	**Total Liabilities**	**1,239,621,119**

Source: Investec

Priorities of Payments

The Transaction operates two separate Pre-Enforcement Priorities of Payments – one that applies to interest receipts on home loans and payments of Transaction expenses and interest on the Notes, and one that applies to principal receipts on the home loans and principal repayments on the Notes. A single combined Post-Enforcement Priority of Payments is provided for.

The Notes of each class or, in the case of Class A, sub-class, rank *pari passu* among themselves. Any claims of the Noteholders shall be subordinated to the claims of the higher-ranking creditors (including Notes that have a higher ranking) in accordance with the Pre-Enforcement and Post-Enforcement Priorities of Payments, as the case may be.

On each Quarterly Payment Date during the Pre-Enforcement Period, i.e., until an Enforcement Notice is served, the Issuer shall utilise Principal Available Funds to redeem the Notes sequentially in descending order of rank, in accordance with the Principal Pre-Enforcement Priority of Payments. No redemptions of any Class of Notes will be made until all Classes of Notes ranking senior to such Class have been fully redeemed. The Transaction has no Revolving Period. As such, Notes will start being redeemed on the first Quarterly Payment Date.

On each Quarterly Payment Date, Interest Available Funds will be utilised to make payments in accordance with the Interest Pre-Enforcement Priority of Payments. GCR notes that the Liquidity Reserve is to be funded prior to the clearance of the PDL.

Should an Event of Default as defined in Transaction documentation occur, the Controlling Class of Noteholders would decide whether the Notes shall become immediately due and payable and an Enforcement Notice would then be delivered to the Issuer and the Security SPV. In such event, the Issuer may sell the Participating Assets in order to realise security and perform in terms of the Indemnity (see Security Structure section following). After the delivery of an Enforcement Notice, all payments will be administered in accordance with the Post-Enforcement Priority of Payments. The Events of Default are outlined in Appendix C.

Security Structure

The Security Special Purpose Vehicle ("Security SPV") has issued a limited recourse Guarantee to each of the Secured Creditors, whereby it undertakes to pay any amounts owing by the Issuer after an Enforcement Notice is delivered. In turn, the Issuer has indemnified the Security SPV against claims made by Secured Creditors arising out of the Guarantee. The Issuer's obligations in terms of the Indemnity are secured by the Security Cession in terms of which the Issuer cedes the Participating Assets, their Related Security, and its Bank Accounts, Permitted Investments and the Transaction documents, amongst others, to the Security SPV. In addition, a Suretyship has been granted to the Security SPV by the Issuer Owner Trust, secured by a pledge of all the shares held by the Issuer Owner Trust in the

Issuer. The Security SPV's liability in terms of the Guarantee is limited to the amounts recovered pursuant to the Indemnity.

While each Class of Notes shares in the same security, if the security is enforced by the Security SPV, the Class B Notes will be subordinated to the Class A3 Notes, the Class A3 Notes will be subordinated to the Class A2 Notes and the Class A2 Notes will be subordinated to the Class A1 Notes as per the Post-Enforcement Priority of Payments.

Issuer's Call Options

The Issuer may redeem all of the Notes on any Quarterly Payment Date when the aggregate Outstanding Amount of Notes is equal to or less than 10% of the maximum aggregate Outstanding Principal Amount of the Notes that have been in issue at any time. The redemption of Notes pursuant to this Clean-Up Call Option will utilise Principal Available Funds or the proceeds from the disposal of Participating Assets or an advance under a Warehouse Facility.

Investec may also exercise the Originator Call Option and acquire any or all of the Notes still in issue on the Originator Call Option Date, defined in the Applicable Pricing Supplement, by providing sufficient notice. For this purpose, it may use an advance under the Warehouse Facility.

Cash Management

The Servicer will collect payments in respect of the home loans made by the underlying borrowers on behalf of the Issuer. Payments will be made into the Servicer's Collections Account and transferred daily to the Issuer's Transaction Account. However, upon the occurrence of a Customer Notification Trigger (i.e., the Servicer is downgraded to below BBB-$_{(ZA)}$ on GCR's long-term national scale), the Servicer shall notify borrowers, in writing, to make payments directly to the Issuer's Transaction Account. The Administrator has signing authority over the Transaction Account until delivery of an Enforcement Notice, when the Security SPV will take over signing authority.

From time to time, the Issuer may invest cash in Permitted Investments that bear minimum required (short-term) ratings of A1+$_{(ZA)}$ should they be of greater than 30-day maturity and A1$_{(ZA)}$ should they be of shorter maturity. Should their ratings be downgraded below these required ratings, they must be replaced within 30 days. Transaction documentation prescribes that Permitted Investments must be purchased in Rand at or below face value and must mature at least two days prior to the next Quarterly Payment Date. Irrespective of such investments, the Guaranteed Investment Contract ("GIC") Provider will provide the Issuer with guaranteed investment returns for all funds held in the Transaction Account and in Reserves, as stipulated in the Guaranteed Investment Contract. Investec has entered into the GIC as GIC Provider.

Reserves

The Issuer will also maintain a Reserve Account, which will be held at the Account Bank, into which funds allocated to each reserve will be paid. The funds in the Capital Reserve, Mortgage Bonds Registration Costs Reserve, Liquidity Reserve and Redraw Reserve respectively, will be made available for the uses specified for each in accordance with the Principal Pre-Enforcement Priority of Payments, while the funds in the Liquidity Reserve will be made available for use as specified in the Interest Pre-Enforcement Priority of Payments.

On Initial Issuance, the Reserves are to be funded by the Subordinated Loan.

Capital Reserve

On each Quarterly Payment Date, the Capital Reserve can be released, at the discretion of the Administrator, to form part of Principal Available Funds to be distributed as per the Principal Pre-Enforcement Priority of Payments. Thereafter, according to the order prescribed by Principal Pre-Enforcement Priority of Payments, the Capital Reserve is to be replenished up to its Required Amount. In addition, during the Pre-Funding Period, the Pre-Funding Amount, if any, is to be held in the Capital Reserve.

Mortgage Bonds Registration Costs Reserve

The Mortgage Bonds Registration Costs Reserve Required Amount is equal to the amount necessary (as determined by the Administrator from time to time) to register the cession of the Mortgage Bonds in the name of the Security SPV upon the occurrence of certain trigger events.

Liquidity Reserve

On each Quarterly Payment Date, the Liquidity Reserve will be released and made available for application in the Interest Pre-enforcement Priority of Payments to make certain payments towards expenses and interest in the Interest Pre-Enforcement Priority of Payments to the extent that Interest Available Funds are insufficient.

The Issuer is required to replenish the Liquidity Reserve in accordance with the Interest Pre-Enforcement Priority of Payments up to the Liquidity Reserve Required Amount on each Quarterly Payment Date.

Redraw Reserve

The Redraw Reserve will be available to fund Redraws, Re-advances and Further Advances. The Issuer is required to first apply funds relating to principal collected in respect of Participating Assets, and only thereafter, funds available in the Redraw Reserve, to fund Redraws, Re-advances and Further Advances.

On each Quarterly Payment Date, the Issuer will be required to replenish the Redraw Reserve, in accordance with the Principal Pre-Enforcement Priority of Payments, up to the Redraw Reserve Required Amount.

Principal Deficiency Ledger

The Principal Deficiency Ledger acts as credit protection for the Notes by channelling excess spread towards redemption of Notes.

The Issuer has established the Principal Deficiency Ledger, which consists of sub-ledgers for each Class of Notes, as well as for the Subordinated Loan. Any Principal Deficiency, defined as a 50% of Participating Assets that became Non-Performing (three or more instalments in arrears) will first be recorded in the Subordinated Loan Principal Deficiency Sub-Ledger until such amount equals the Principal Amount outstanding of the Subordinated Loan. Thereafter, Principal Deficiency will be recorded in the Class B Principal Deficiency Ledger, followed by the Class A3 Principal Deficiency Ledger and so on. The Issuer will use Interest Available Funds on each Quarterly Payment Date, in accordance with the Interest Pre-Enforcement Priority of Payments, to clear amounts recorded in the Principal Deficiency Ledger by adding such funds to Principal Available Funds and thereby increasing the amount of Notes redeemed. Any positive amount recorded in any Principal Deficiency Ledger and not cleared will be carried over to the next period.

If the Subordinated Loan and/or Class B Principal Deficiency Sub-Ledger reflects a positive balance, the payment of interest accrued on such Subordinated Loan and/or Notes will be deferred until the relevant Principal Deficiency Sub-Ledger is cleared in full. The Class A Notes are not subject to an interest deferral mechanism.

Credit Enhancement

Credit protection is available for each respective Class of Notes via:

- Subordination of Notes: Each Class and sub-Class of Notes provides credit enhancement to the Classes and/or sub-Classes senior to it.
- Overcollateralisation and Reserves, funded via the Subordinated Loan: The Subordinated Loan is for an amount of R179.6m or 14.5% of total liabilities and earns interest of 3M JIBAR + 5.0%.
- Excess spread to be earned: At inception, expected excess spread is equal to 0.91%, calculated as a percentage of the asset portfolio *plus* reserves and incorporating a derivative contract entailing a swap that pays Prime *less* 3.20% in exchange for 3M JIBAR, without taking into account the Guaranteed Investment Contract return.

Key Transaction Parties

The Issuer

The Issuer has been incorporated and registered as a public company with limited liability and has been structured as an insolvency remote, ring-fenced Special Purpose Vehicle in accordance with Securitisation Regulations. The ordinary shares of the Issuer are held by the Issuer Owner Trust and the single preference share is held by Investec.

Security SPV

The Security SPV, Fox Street 7 Security SPV (RF) (Pty) Limited, has been incorporated and registered as a private company with limited liability. The Security SPV has been structured as a ring-fenced, insolvency remote Special Purpose Vehicle with the main purpose of issuing the Guarantee and exercising its rights under the Transaction Documents, thereby enforcing security on behalf of the Noteholders and other Secured Creditors in an Event of Default of the Issuer. The ordinary shares of the Security SPV are held by the Security SPV Owner Trust.

The Originator / Seller

The home loans constituting the portfolio of Participating Assets are originated by Investec, which also plays the role of a number of other counterparties to the Transaction. The Sellers are Investec, as well as other Approved Sellers, such as Fox Street 1 (RF) Limited and Fox Street 2 (RF) Limited, that hold home loans advanced by Investec.

Investec targets a niche market of customers with its private banking offering. The target market that forms part of Investec's private banking client base, which Investec has recently widened while maintaining strict and specific minimum income and net asset value and/or professional qualification guidelines, includes young professionals earning more than R650,000 p.a. in a range of professions, high-net worth employed individuals and very high-net worth entrepreneurs.

Investec has a relatively diverse geographical presence with regional offices in Gauteng, Eastern Cape, Western Cape and KwaZulu Natal and portfolio concentration in Gauteng and the Western Cape. Home loans may be originated by private bankers in each of the abovementioned regions and, depending on the loan amount, may be subject to credit vetting and approval from the head office in Sandton. Credit authority or loan approval delegation limits are established and will, depending on the deal size, be approved by several credit committees. The credit criteria applied in order to approve home loan applications has remained largely constant in recent years, with credit limits determined based on customers' primary income and affordability tests.

While each borrower is individually assessed by a banker, who has comprehensive conversations with the client to establish their financial needs, affordability and risk parameters, Investec has begun to utilise its internally developed scorecards, primarily for Basel purposes but also as a supplementary tool in its credit granting process.

The Servicer

The Issuer has appointed Investec as its agent, in accordance with the Servicing Agreement to: (a) manage the Issuer and borrowers relationships; (b) implement collections, cancellations and arrears procedures in respect of the Participating Assets and, where applicable, enforce and implement foreclosure procedures; (c) manage and advance Redraws, Re-advances and Further Advances and the acquisition of additional home loans by the Issuer; and (d) comply with all obligations imposed on the Servicer in terms of the Transaction Documents.

The Servicer is not obligated to fund any payments owed in respect of the Notes, or absorb losses incurred in respect of Participating Assets or risk transferred to the Issuer, or any similar action that seeks to compensate losses incurred in respect of the Programme.

On 19 September 2019, GCR performed an operational review of the Servicer and assessed its operational capability, including its operational continuity and data and systems back-up in a disaster event. Arrears management and recovery and foreclosure procedures remain individualised and conducted on a case-by-case basis, with watchlists of customers in possible distress maintained and revised regularly. While foreclosures remain very few and far between, they are observed to take longer than they used to as a result of more lengthy court processes and may last 12 to 15 months. The economic environment has led to slight increases in arrears and default rates, but these remain low and adequately provisioned for.

The Servicer may delegate its functions subject to certain conditions. The appointment of Investec as the Servicer may be terminated on certain Servicer Events of Default or Insolvency Events. The Servicer is entitled to resign with no less than twelve months prior written notice to both the Issuer and Security SPV, or a shorter mutually agreed period, subject to a replacement Servicer being found.

Investec is currently rated $AA_{(ZA)}$ and $A1+_{(ZA)}$ by GCR on the long-term and short-term national scale respectively. Please see Rating Analysis section below for the Servicer's influence on the ratings of the Notes as a key counterparty to the Transaction.

The Administrator

The Issuer has appointed Investec as the Administrator, which is responsible for managing day-to-day operations of the Issuer, including secretarial, reporting and accounting duties, administering the Priority of Payments and acting as the Calculation Agent, ensuring all-round compliance and reporting on the Transaction.

The Bank Accounts

The Transaction Account and Reserve Account have been established in the name of the Issuer at Investec in its capacity as the Account Bank. In addition to the above, Investec holds cash invested by the Issuer pursuant to the

Guaranteed Investment Contract, in its capacity as GIC Provider. The Account Bank is required to have a (short-term) credit rating of at least $A1_{(ZA)}$ and is to be replaced within 30 days of ceasing to hold such minimum rating.

Derivative Counterparty

The Issuer has entered into a derivative contract, with Investec as its derivative counterparty, to mitigate the interest rate risk arising from participating assets that bear a reference rate other than the reference rate of the Notes.

An interest rate hedge will be used by the Issuer to swap out Prime *less* a margin of 3.20% in exchange for 3M JIBAR, with the performing Participating Assets balance as the notional amount.

Swap documentation provides for the posting of collateral, calculated according to defined formula, in the event that the rating of the derivative counterparty is downgraded below $A1_{(ZA)}$ or $A_{(ZA)}$. On downgrade below $A3_{(ZA)}$ or $BBB-_{(ZA)}$ and as soon as reasonably practicable, a counterparty that has these minimum ratings will guarantee the obligations of the derivative counterparty or a replacement derivative counterparty with such ratings will be procured.

Subordinated Loan Provider

The Subordinated Loan is provided by Investec. The interest rate payable on the Subordinated Loan is a floating rate of 3M JIBAR *plus* 5.0%. The Subordinated Loan proceeds have been used to finance the Reserves and a portion of the home loan portfolio.

Counterparty Required Credit Ratings

Transaction documentation makes provision for counterparties to the Transaction to have minimum required credit ratings, and for their replacement within defined time periods should their ratings fall below such thresholds. Such provisions for the Account Bank, Permitted Investments and Derivative Counterparty are consistent with GCR's Criteria for Rating Structured Finance Transactions. See below Rating Analysis section for further detail, particularly with respect to the Servicer and GIC Provider.

Asset Portfolio

Fox Street 7's earmarked home loan pool of aggregate outstanding balance R1.17bn has been provided by Investec to GCR. The final pool at the end of the Pre-Funding Period may differ from this earmarked pool. The home loans must satisfy the Eligibility Criteria set out in the Transaction documents and the portfolio must conform with the Portfolio Covenants on every acquisition of new home loans. The Seller may repurchase or substitute some Participating Assets, subject to the required conditions being satisfied, including Portfolio Covenants, in accordance with the Transaction documentation.

The Participating Assets are defined as all rights, titles and interests in and to: the home loans; the home loan agreements; and the Related Security in respect of such home loans purchased by the Issuer.

From time to time, a borrower may request a Redraw, Re-advance or a Further Advance in accordance with the terms of their home loan agreement. However, the Issuer shall be entitled, on prior written notice to a borrower within the time period specified in the relevant home loan agreement, to suspend any Redraw, Re-advance and Further Advance facility under a home loan agreement. The Issuer shall be obliged to do so if there are insufficient Principal Available Funds (including funds available under the Redraw Reserve) to fund a Redraw, Re-advance or Further Advance, as the case may be, or if an unremedied Servicer Event of Default has occurred.

The Seller shall be obligated to repurchase Participating Assets from the Issuer in the event of a breach of a Seller Warranty or a breach of the Weighted Average Discount to Prime Ratio, a Legal Maturity Breach or a Credit Limit Breach. These are to be defined in the Applicable Pricing Supplements to be published on Notes issuance.

The Originator has the right to purchase up to 10% of the aggregate Principal Balances of the Participating Assets when certain conditions are met that apply to Performing and Non-Performing Assets respectively.

The Originator shall have the right to substitute Participating Assets by purchasing and replacing them subject to satisfaction of the Portfolio Covenants and provisions that ensure that the Replacement Asset is comparable to and of similar or better credit quality than the Predecessor Asset.

While Additional Assets may be acquired to increase the size of the portfolio, the Pre-Enforcement Principal Priority of Payments does not allow Principal-Available Funds to be used for this purpose until all Classes of Notes have been redeemed in full except on an issuance of additional Notes. Therefore, Additional Assets would be acquired only on an issuance of further Notes under the Transaction at a future date.

While the abovementioned Weighted Average Discount to Prime Ratio, Legal Maturity Breach and Credit Limit Breach provisions apply on a continuous basis, the Portfolio Covenants apply only on acquisition of Additional Home Loans. Therefore, some drift in aggregate portfolio characteristics over time is possible as Further Advances are extended by the Issuer. In assessing this risk, GCR notes that Further Advances have historically made up a negligible part of Investec's home loan portfolio – a maximum of less than 0.5% in the past five years. Thus, no significant pool drift is expected.

Earmarked Asset Portfolio

The earmarked portfolio is made up of 948 fully-performing loans amounting to a total of R1.17bn and advanced to individuals that form part of Investec's Private bank clientele. The portfolio is well-seasoned (a weighted average of more than 5 years) which can be attributed to some extent to 47% of the assets being purchased from Fox Street 1 (RF) Ltd and Fox Street 2 (RF) Ltd, which are older securitisation structures.

GCR notes the low weighted average ("WA") OLTV and CLTV, the latter being a direct consequence of the significant seasoning of the asset portfolio. Although granular, GCR also noted some geographical concentrations inherent to Investec's business implementation and clientele location.

The table below exhibits the main characteristics of the earmarked asset portfolio as provided by Investec to GCR:

Table 2: Earmarked Asset Portfolio	*(Source: Investec)*
Cut-off Date:	31 July 2019
Aggregate Outstanding Balance:	R1,173,416,031
Aggregate Current Credit Limit:	R1,433,411,042
Average Outstanding Balance:	R1,237,781
Weighted Average OLTV*:	78.55%
Weighted Average CLTV:**	60.55%
Weighted Average Seasoning:	5.23 years
WA Margin to Prime:	-1.00%
WA Debt-to-Income:	16.53%
WA Remaining Term to Maturity:	14.76 years
Owner Occupied Ratio:	84.66%
Employed Borrowers Ratio:	87.27%
Top 10 Borrowers*:**	3.80%
Geographic Concentration – Gauteng*:**	45.65%
Geographic Concentration – Western Cape*:**	37.45%

*Original Loan to Value Ratio (= Original Facility Amount/Original Property Valuation)

**Current Loan to Value Ratio (= Outstanding Balance/Latest Property Valuation)

*** % of Portfolio Aggregate Outstanding Balance

Rating Analysis

Default Model

GCR's RMBS default model was run based on the R1.17bn pool of home loans provided by the Arranger as an earmarked asset portfolio. While the final pool at the end of the Pre-Funding Period may differ from the earmarked pool, its aggregate face value on acquisition will not be greater and its features will match those of the earmarked pool as a result of Portfolio Covenants (see Appendix D) that are set at the levels exhibited by the earmarked pool. The earmarked portfolio cut-off date is 31 July 2019 and a detailed stratification of the assets is provided in Appendix B. The default model relies primarily on each loan's Original Loan to Value ratio ("OLTV"), with adjustments for other loan characteristics and portfolio geographic concentration over provincial contribution to national Gross Domestic Product ("GDP"), to derive market-related default rates or "Default Frequencies". The Default Frequencies were each reduced by 15% in recognition of Investec's observed better-than-market home loan performance. Stress assumptions were applied in severity according to rating band and the resulting Default Frequencies were then aggregated to generate WA Default Frequencies ("WADF") per rating band. Indexed property values, with reductions to reflect Market Value Decline ("MVD") – adjusted for geographic concentration – stressed pricing conditions and foreclosure costs, are used to derived base case Recovery Rates. These are then aggregated to arrive at WA Recovery Rates ("WARR") for each rating band. Modelled recoveries are high. This is primarily a result of the low Current Loan to Value (CLTV) ratios of the loans – a product of the high seasoning of the portfolio.

GCR calculated the following WADF and WARR. These were then used as inputs to GCR's cash flow model.

Table 3: Modelled WADF, WARR, Net Loss

Rating Band:	$B_{(ZA)(sf)}$ (Base Case)	$BB_{(ZA)(sf)}$	$BBB_{(ZA)(sf)}$	$A_{(ZA)(sf)}$	$AA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
WADF	6.09%	9.19%	12.27%	15.34%	18.41%	21.49%
WARR	93.22%	91.85%	90.51%	89.65%	86.92%	83.80%
Net loss	0.41%	0.75%	1.16%	1.59%	2.41%	3.48%

Source: GCR

As mentioned, GCR applied an adjustment to each loan's Default Frequency to provide for the risk presented by geographic concentration in the portfolio:

Table 4: Default Frequency per Loan: Geographic Concentration Adjustment

Province	Portfolio Percentage of Current Credit Limit by Province **[A]**	Provincial Share of National GDP * **[B]**	Credit Limit Percentage in Excess of GDP Contribution **[C]**	Default Adjustment **= 15% × [C]/[A]**
EC	2.44%	8%	0%	0%
FS	0.52%	5%	0%	0%
GP	43.95%	34%	9.95%	3.40%
KZN	11.11%	16%	0%	0%
LP	0.18%	7%	0%	0%
MP	1.37%	8%	0%	0%
NC	0%	2%	0%	0%
NW	1.33%	6%	0%	0%
WC	39.10%	14%	25.10%	9.63%

*2017 GDP Provincial Contribution, Statistics South Africa

Source: GCR

The loan-by-loan Default Frequencies were thus increased by a factor of 3.40% for properties located in Gauteng and by 9.63% for those located in the Western Cape.

As mentioned, "indexing" was used to adjust base Latest Property Values in GCR's Recovery Rate analysis. For this purpose, GCR used current Lightstone indexed valuations provided by Investec. GCR applied 100% of the implied decrease in value and 75% of the implied increase in value for each property. Portfolio aggregate Latest Property Value was initially adjusted slightly downward to reflect the portion of properties whose valuation was automated and potentially less accurate.

Table 5: Latest Property Value and Lightstone Index Adjustment

Portfolio Latest Property Value (ZAR)	Latest Property Valuation Date (% of Portfolio Latest Property Value)	Latest Property Valuation Type (% of Portfolio Latest Property Value)	Portfolio Latest Property Value with "Haircut" Applied to Automated Valuations	Portfolio Property Value as per Lightstone Indexing	Portfolio "Indexed" Property Value as per GCR*
2,340,645,739	Pre-2011: 21.8% 2012-2013: 26.5% 2014-2015: 15.0% 2016-2017: 24.3% 2018-2019: 12.4%	Automated: 7.3% Desktop: 6.6% Physical: 86.2%	2,337,199,130	2,918,528,218	2,772,702,897

*75% of Lightstone-implied increase; 100% of decrease. *Source: GCR*

As mentioned, assumed MVD per rating band was also adjusted for geographic concentration, similarly to the Default Frequency adjustment, by 15% × portion of Current Credit Limit in excess of GDP contribution:

Table 6: MVD Assumption per Rating Band (as % of GCR "Indexed" Property Value)

Rating Band	MVD	MVD Gauteng	MVD Western Cape
$AAA_{(ZA)sf)}$	27%	27.92%	29.60%
$AA_{(ZA)sf)}$	23%	23.78%	25.21%
$A_{(ZA)sf)}$	19%	19.65%	20.83%
$BBB_{(ZA)sf)}$	17.5%	18.09%	19.19%
$BB_{(ZA)sf)}$	15%	15.51%	16.44%
$B_{(ZA)sf)}$	12%	12.41%	13.16%

Source: GCR

As mentioned, a further house price stress was applied. This is equal to 25% of each loan's post-MVD property value. Foreclosure costs were assumed at the higher of 5.5% of the result value and R30,000.

Cash Flow Model

GCR modelled the Transaction in a pre-enforcement scenario. Therefore, the two pre-enforcement cash waterfalls - the Interest Pre-Enforcement Priority of Payments and the Principal Pre-Enforcement Priority of Payments were modelled and cash inflows from interest and principal payments on the home loans were modelled separately and allocated to differing sets of items as per these two Priorities of Payments.

The Transaction capital structure, including reserves, interest rate swap and quantum and pricing of the Classes of Notes and Subordinated Loan, was modelled according to final, signed Transaction documentation.

The home loan portfolio balance was modelled at the Asset Acquisition Pre-Funding amount of R1.17bn. During the Pre-Funding Period, any Pre-Funding Amount outstanding is to earn interest at the GIC rate of Prime. The weighted average rate on the home portfolio is Prime less 1% and it is this rate that was modelled on the full Pre-Funding Amount on Transaction close. Although GCR does not take into account the GIC when modelling cash held in the Transaction, GCR considered this instrument a mitigant to a possible risk of negative carry on the Pre-Funding Amount. Investec's short-term rating of A1+$_{(za)}$ suggests that there is negligible risk of Investec's not being in a position to fulfil its role as GIC Provider over this initial six-month period.

Various combinations of scenarios were modelled, including three different default distribution vectors (front-loaded, back-loaded and evenly distributed), three prepayment scenarios (high, low and medium) and three interest rate scenarios (rising, falling and stable).

Defaults and Recoveries

Defaults were calculated according to the WADF output of the default model and distributed in three different time horizon scenarios. GCR used 84 months for a front-loaded scenario and 78 months for a back-loaded scenario and an evenly distributed default scenario. The WARR for each ratings band was applied to the expected defaulted amounts for each ratings band. The recoveries are assumed to be collected 30 months after default occurs.

Arrears

Arrears, which are rehabilitated at three months in the cash flow model, were modelled as a multiple of defaults according to rating band.

Table 7: Modelled Arrears Multiple of Defaults

Rating Band	Multiple of Defaults
AAA$_{(ZA)sf)}$	1.10×
AA$_{(ZA)sf)}$	0.89×
A$_{(ZA)sf)}$	0.65×
BBB$_{(ZA)sf)}$	0.47×
BB$_{(ZA)sf)}$	0.35×
B$_{(ZA)sf)}$	0.25×

Source: GCR

Prepayments

The Originator's total residential loan book has a relatively high annualised prepayment rate. GCR observed the prepayment rate to be 23.09% for the period from January 2009 to June 2019, with a 17.03% net repayment rate (contractual repayments plus prepayments less Redraws, Re-advances and Further Advances). GCR is cognisant of the fact that Redraws, Re-advances and Further Advances counteract the effect of prepayments on the portfolio to a significant degree. However, GCR elected to consider prepayments as a standalone risk and did not reduce the prepayment rate by an expected rate of Redraws, Re-advances and Further Advances. This is in consideration of the fact that the Issuer can suspend a borrower's right to such advances at its discretion in accordance with the terms of the relevant Home Loan Agreement and is obliged to do so in the event of a Servicer Event of Default. GCR modelled three prepayment rate scenarios, whereby base prepayments are stressed according to rating band scenario. The upward and downward stresses applied as a percentage of the base prepayment rate of 23.09% are in the table below:

Table 8: Modelled Prepayments Stresses

Rating Band	Prepayments Stress (increase & decrease of base case)
$AAA_{(ZA)sf)}$	50%
$AA_{(ZA)sf)}$	40%
$A_{(ZA)sf)}$	30%
$BBB_{(ZA)sf)}$	20%
$BB_{(ZA)sf)}$	15%
$B_{(ZA)sf)}$	0%

Source: GCR

Interest Rates

The current 3M JIBAR rate was stressed over time to simulate rising, falling and stable interest rate environments. These stresses were derived based on historical 3M JIBAR data and are applied in differing degrees of severity relative to ratings band scenario.

Asset Margin Compression

The weighted average interest rate on the earmarked home loan pool was calculated by GCR as Prime less 1.00%. This rate is the Weighted Average Discount to Prime Ratio provided for in terms of the Sale Agreement. To model asset margin compression, the loans were divided into six margin buckets each making up a similar proportion of the portfolio. 100% of defaults and 50% of prepayments were allocated sequentially from the highest-margin bucket to the lowest-margin bucket.

Guaranteed Investment

The GIC provider has guaranteed a return equal to the Prime rate on cash in the Transaction Account and the Reserve Account. GCR however modelled a stressed return of the average overnight rate for both the Transaction Account and the Reserve Account. This is in view of the fact that the GIC does not provide for the posting of collateral equal to the present value of the difference between the GIC rate of a replacement GIC Provider and that of the original GIC, in the event that the GIC is replaced and a lower than the initial GIC rate is secured.

Senior Expenses

Senior expenses were modelled, in their fixed and variable components, as per Investec's indications and the applicable draft contracts. They were then stressed upwards by 10% to cater for unexpected expenses. An annual escalation of 6% was applied to these expenses to account for inflation.

Cash Flow Disruption

GCR's Criteria for Rating Structured Finance Transactions requires the Servicer to have a credit rating of at least BBB-$_{(ZA)}$ for Notes to be rated AAA$_{(ZA)(sf)}$. To mitigate the risk of cash flow disruption on possible servicing failure, GCR would generally expect a trigger for replacement of the Servicer with a new Servicer within a reasonable time period from the Servicer's rating downgrade below BBB-$_{(ZA)}$. While Fox Street 7 Transaction documentation requires the Administrator to appoint a third party to facilitate the search for a Standby Servicer on such downgrade, the Standby Servicer will actually only be appointed to take over as Servicer on the occurrence of a Servicer Event of Default as defined in the Servicing Agreement, which includes the Servicer's defaulting on a payment to be made to the Transaction Account or Reserve Account and any other material breach. This implies that risk of cash flow disruption on failure of the Servicer is mitigated to a lesser extent than required by the Criteria. While the Liquidity Reserve reduces such risk, there is no assurance that it will be fully funded, despite its required replenishment at an early stage in the Interest Pre-Enforcement Priority of Payments. Therefore, GCR modelled a cash flow disruption, whereby a month of both interest and principal receipts are lost to the cash flow model. Cash collected in the first month, as the highest-receipting month, was removed from the cash flow model for all modelled rating scenarios.

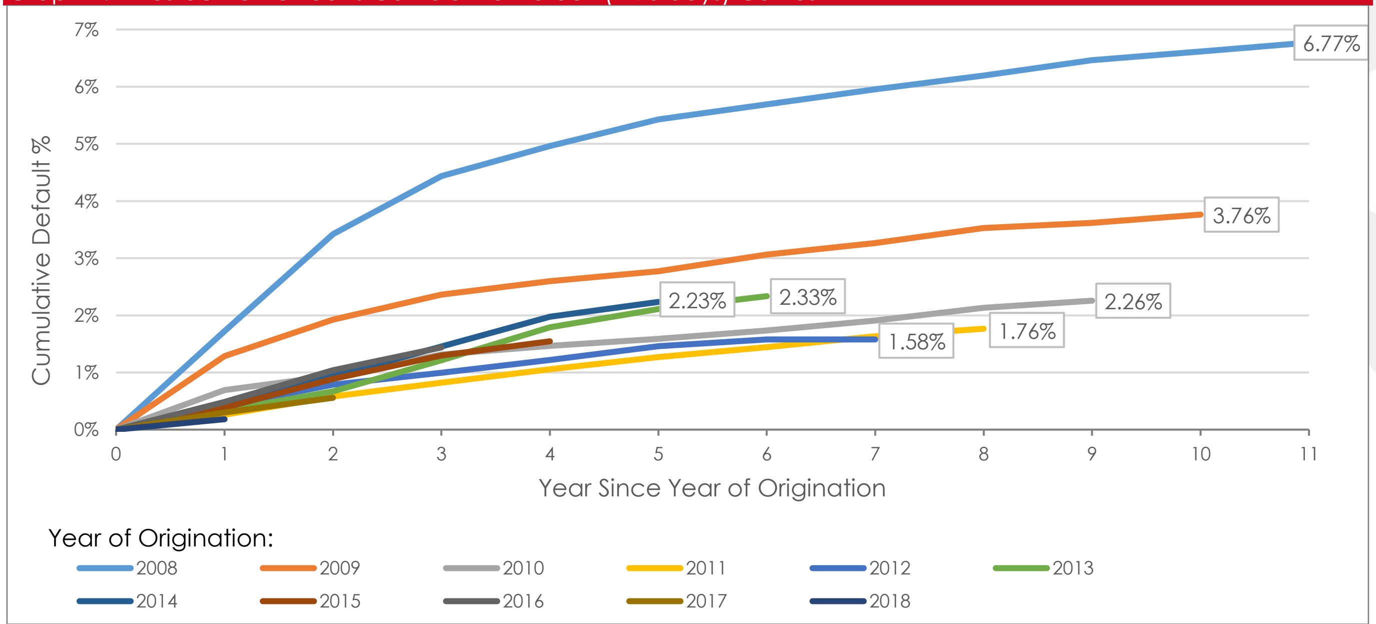
Cash Flow Model Results

The output of the cash flow model leads directly to the ratings assigned to each Class of Notes. The modelling outcome is consistent with the level of Credit Enhancement for each respective Class.

Historical Performance

GCR notes that the performance of Investec's total home loan portfolio surpasses that of the South African market. This is partly recognised in the 15% reduction of modelled Default Frequencies as credit to the Originator.

Graph 1: Investec Home Loans Cumulative Default (> 90 days) Curves



Source: Investec

Furthermore, the performance of the home loan portfolios of the other Fox Street transactions is superior even to that of Investec's total home loan book. This is probably attributable to the Eligibility Criteria which act as an additional filter to the asset portfolio.

Other

Legal Opinion

GCR received a legal opinion that relates to the Transaction. The Opinion confirms that all legal provisions necessary for the establishment and functioning of an RMBS transaction are complied with, including, amongst others:

- The Issuer, Security SPV, Owner Trust and Security SPV Owner Trust are duly incorporated and have legal capacity and power to execute the Transaction documents, which constitute legal, valid and binding obligations of the abovementioned parties.
- The Transaction documents constitute legal valid and binding obligations to, amongst others, the Issuer, Security SPV and Investec.
- The Issuer and Security SPV are "insolvency remote".
- The provisions of the Sale Agreement and the Pre-Issue Sale Agreement will be effective to transfer legal and beneficial ownership of the Participating Assets to the Issuer and comply with requirements of the Securitisation regulations for divestiture.
- The Cession of the mortgage bonds by the Issuer to the Security SPV is only perfected on registration thereof at the Deeds Office. The Transaction documents provide for such registration upon the occurrence of any of the Issuer Trigger Events.

GCR is received an additional legal opinion that confirms that the underlying Home Loan Agreements comply with the National Credit Act and the Consumer Protection Act and are legal, valid, binding and enforceable.

Tax Opinion

GCR has received a Tax Opinion on the Transaction's tax implications. GCR understands that:

- The Issuer should be regarded as "carrying on a trade" and therefore its income will be subject to corporate tax and its expenditure and losses should be deductible.
- The Issuer is likely to be considered a "money-lender" and therefore irrecoverable principal from bad debts should be deductible.
- The Notes will attract no additional taxes, such as Securities Transfer Tax or Withholding Tax.

Pool Audit Opinion

KPMG Inc. is the auditor of the Issuer and has performed a pool audit on a representative number of the loans in the earmarked home loan pool. The pool audit showed no significant findings.

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents. Users of GCR's credit ratings should familiarise themselves with all aspects of the transaction (including the legal opinion(s)), and should form their own views in this respect. Users should not rely on GCR for legal, tax or financial advice and are encouraged to contact relevant advisers.

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Related Criteria and Research

Criteria for Rating Structured Finance Transactions – Sep '18
Criteria for Rating Residential Mortgage Backed Securities – Sep '18
Investec Bank Limited Financial Institution Report – Nov '18

Key Counterparties

Counterparty	Role(s)	Rating Class	Rating	Outlook
Investec Bank Ltd	Administrator Arranger Calculation Agent Dealer Debt Sponsor Account Bank GIC Provider Hedge Provider Originator Paying Agent Servicer Transfer Agent Subordinated Loan Provider Preference Shareholder	Long-term Issuer	$AA_{(ZA)}$	Stable
Fox Street 7 (RF) Limited	Issuer	N.A.	N.A.	N.A.
Fox Street 7 Security SPV (RF) (Pty) Limited	Security SPV	N.A.	N.A.	N.A.
Quadridge Trust Services (Pty) Limited	Issuer Owner Trustee/Security SPV Owner Trustee	N.A.	N.A.	N.A.

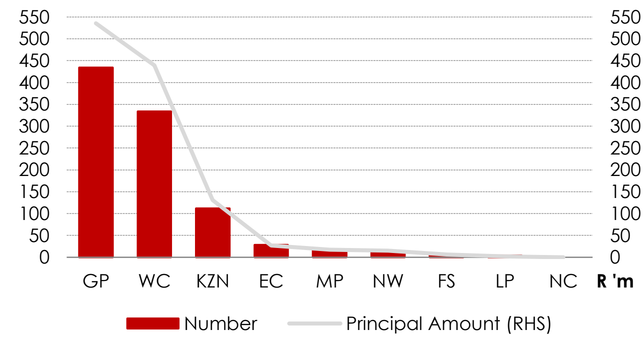
APPENDIX A: Capital Structure

Security Class	Rating	Outlook / Watch	Amount (ZAR 'm)	Coupon 3M JIBAR +	Step-up Coupon 3M JIBAR +	Step-up Date	Credit Enhancement*	Legal Maturity
Class A1	$AAA_{(ZA)(sf)}$	Stable	200	0.85%	N.A.	N.A.	83.9%	Nov 2022
Class A2	$AAA_{(ZA)(sf)}$	Stable	400	1.13%	1.28%	Nov 2024	51.6%	May 2049
Class A3	$AAA_{(ZA)(sf)}$	Stable	400	1.30%	1.50%	Nov 2024	19.3%	May 2049
Class B1	$AAA_{(ZA)(sf)}$	Stable	60	1.35%	1.60%	Nov 2024	14.5%	May 2049
Subordinated Loan	Unrated	N.A.	179.6	5.0%	N.A.	N.A.	N.A.	May 2049

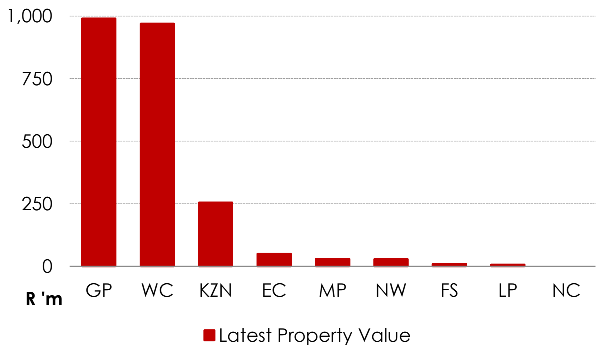
* Credit Enhancement calculated as a percentage of the Notes plus the Subordinated Loan.

APPENDIX B – Portfolio Stratification (earmarked pool as at 31 July 2019)

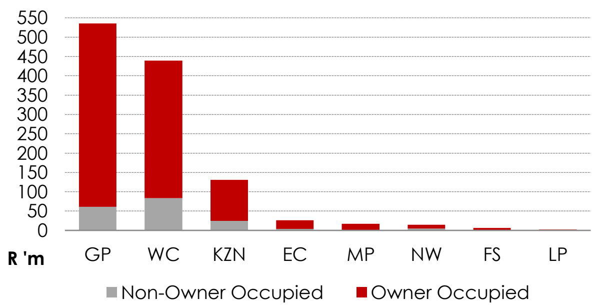
Province	Number	Principal Amount (ZAR) [a]	[a]%
GP	434	535,623,382	45.6%
WC	334	439,451,168	37.5%
KZN	112	130,949,605	11.2%
EC	28	26,626,124	2.3%
MP	16	17,007,865	1.4%
NW	14	14,825,246	1.3%
FS	6	6,603,856	0.6%
LP	4	2,328,785	0.2%
NC	0	0	0.0%
Total	**948**	**1,173,416,031**	**100.0%**



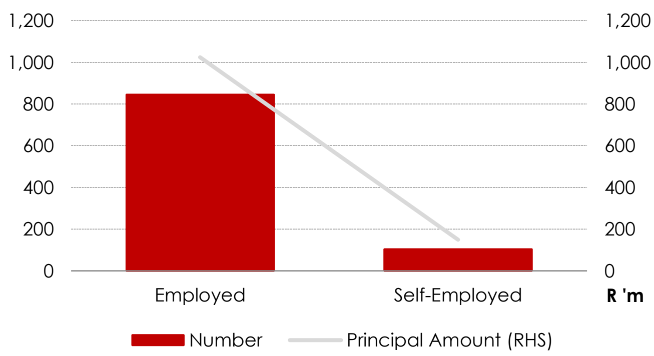
Province	Principal Amount (ZAR) [a]	Latest Property Value (ZAR) [b]	[a]/[b] %
GP	535,623,382	990,264,591	54.1%
WC	439,451,168	969,915,990	45.3%
KZN	130,949,605	255,201,158	51.3%
EC	26,626,124	50,460,000	52.8%
MP	17,007,865	29,339,000	58.0%
NW	14,825,246	28,995,000	51.1%
FS	6,603,856	9,340,000	70.7%
LP	2,328,785	7,130,000	32.7%
NC	0	0	N.A.
Total	**1,173,416,031**	**2,340,645,739**	**50.1%**



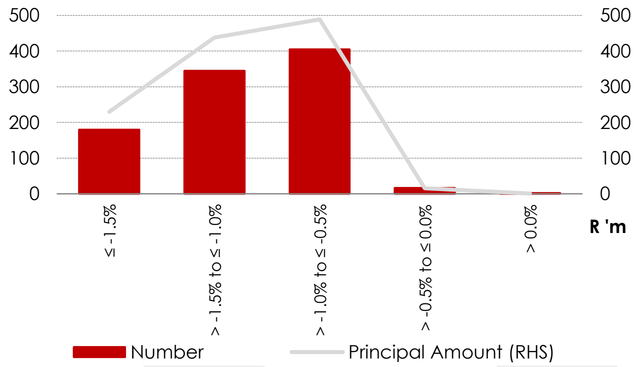
Province	Non-Owner Occupied (ZAR) [a]	Owner Occupied (ZAR) [b]	[b]/ [a+b]%
GP	61,515,434	474,107,948	88.5%
WC	83,721,374	355,729,794	80.9%
KZN	24,462,137	106,487,467	81.3%
EC	3,665,393	22,960,731	86.2%
MP	624,092	16,383,774	96.3%
NW	5,115,033	9,710,213	65.5%
FS	847,416	5,756,441	87.2%
LP	0	2,328,785	100.0%
NC	0	0	N.A.
Total	**179,950,878**	**993,465,153**	**84.7%**



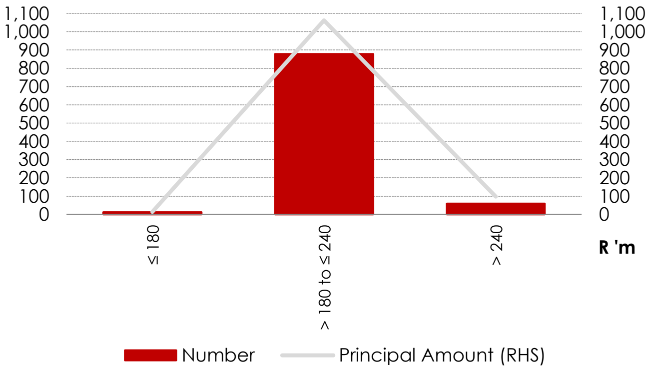
Employment	Number	Principal Amount (ZAR) [a]	[a]%
Employed	844	1,024,034,417	87.27%
Self Employed	104	149,381,614	12.73%
Total	**948**	**1,173,416,031**	**100.0%**



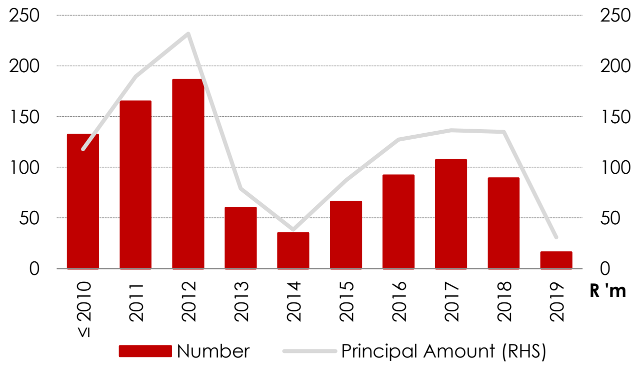
Margin to Prime	Number	Principal Amount (ZAR) [a]	[a]%
≤ -1.5%	180	229,974,393	19.6%
> -1.5% to ≤ -1.0%	345	437,962,119	37.3%
> -1.0% to ≤ -0.5%	405	488,925,120	41.7%
> -0.5% to ≤ 0.0%	16	15,774,825	1.3%
> 0.0%	2	779,574	0.1%
Total	**948**	**1,173,416,031**	**100.0%**



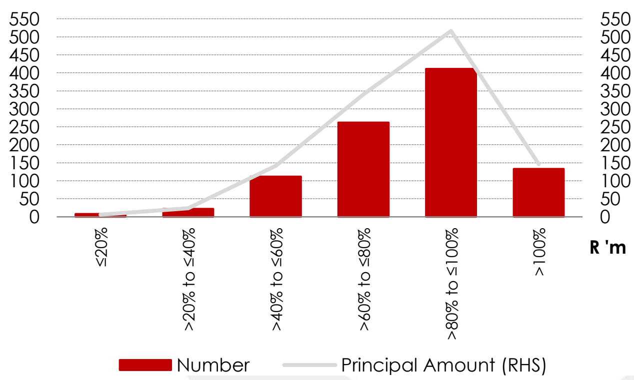
Original Term	Number	Principal Amount (ZAR) [a]	[a]%
≤ 180	12	13,804,669	1.18%
> 180 to ≤ 240	878	1,062,496,781	90.55%
> 240	58	97,114,581	8.28%
Total	**948**	**1,173,416,031**	**100.0%**



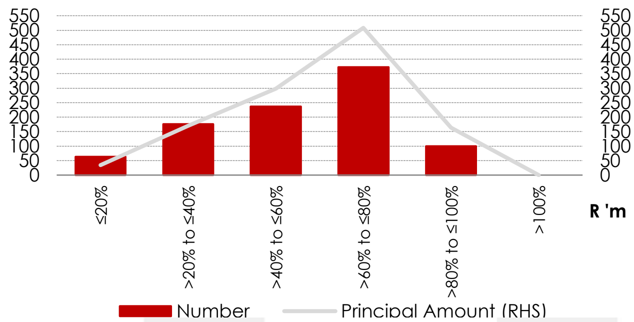
Origination Year	Number	Principal Amount (ZAR) [a]	[a]%
≤ 2010	132	117,884,236	10.0%
2011	165	189,526,830	16.2%
2012	186	231,734,856	19.7%
2013	60	78,941,945	6.7%
2014	35	38,567,423	3.3%
2015	66	87,167,672	7.4%
2016	92	127,314,475	10.8%
2017	107	136,378,009	11.6%
2018	89	135,016,779	11.5%
2019	16	30,883,807	2.6%
Total	**948**	**1,173,416,031**	**100.0%**



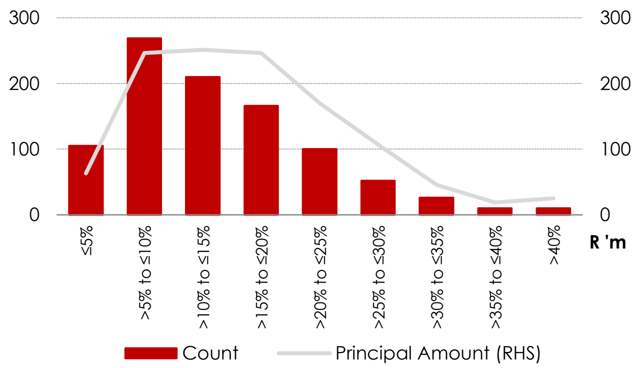
OLTV	Number	Principal Amount (ZAR) [a]	[a]%
≤20%	8	5,873,744	0.5%
>20% to ≤40%	22	23,381,124	2.0%
>40% to ≤60%	112	142,294,085	12.1%
>60% to ≤80%	262	339,677,068	28.9%
>80% to ≤100%	411	516,010,227	44.0%
>100%	133	146,179,782	12.5%
Total	**948**	**1,173,416,031**	**100.0%**



CLTV	Number	Principal Amount (ZAR) [a]	[a]%
≤20%	63	34,003,383	2.9%
>20% to ≤40%	176	169,777,364	14.5%
>40% to ≤60%	237	298,127,734	25.4%
>60% to ≤80%	372	508,108,378	43.3%
>80% to ≤100%	100	163,399,172	13.9%
>100%	0	0	0.0%
Total	**948**	**1,173,416,031**	**100.0%**



DTI (Annual Income / 12)	Number	Principal Amount (ZAR) [a]	[a]%
≤5%	105	63,317,613	5.4%
>5% to ≤10%	269	246,224,148	21.0%
>10% to ≤15%	210	251,319,441	21.4%
>15% to ≤20%	166	246,277,865	21.0%
>20% to ≤25%	100	169,707,389	14.5%
>25% to ≤30%	52	107,096,955	9.1%
>30% to ≤35%	26	45,626,595	3.9%
>35% to ≤40%	10	18,863,989	1.6%
>40%	10	24,982,035	2.1%
Total	**948**	**1,173,416,031**	**100.0%**



APPENDIX C: Events of Default

An Event of Default will occur should -

1. the Issuer fail to pay an amount of interest due and payable to the Controlling Class of Noteholders within three Business Days of the Quarterly Payment Date to the extent permitted by available funds for that purpose in terms of the Priority of Payments or principal due and payable to the Controlling Class of Noteholders within three Business Days of the Final Redemption Date, irrespective of whether or not there are available funds for that purpose in terms of the Priority of Payments; or

2. the Issuer fail to pay any amount whether in respect of interest, principal or otherwise, due and payable in respect of any other Class of Notes within ten Business Days of the due date for the payment in question to the extent permitted by available funds for that purpose in terms of the Priority of Payments; or

3. the Issuer fail duly to perform or observe any other obligation binding on it under the Notes, these Terms and Conditions or any of the other Transaction Documents (irrespective of the materiality of such breach or obligation), which breach is not remedied within 30 days after receiving written notice from either the Security SPV or the counterparty to the relevant agreement requiring such breach to be remedied and the Security SPV has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or

4. the Issuer cease to be wholly owned by the Owner Trust without the prior written consent of the Security SPV; or

5. an Issuer Insolvency Event occur; or

6. any procedural step be taken by the Issuer (including application, proposal or convening a meeting) with a view to a compromise or arrangement with any creditors generally or any significant class of creditors; or

7. the Security Interests in favour of the Security SPV pursuant to any of the Security Agreements become unenforceable for any reason whatsoever (or be reasonably claimed by the Security SPV not to be in full force or effect) or should the grant to the Security SPV of a first priority Security Interest in respect of the assets cease or should the Guarantee be or become unenforceable; or

8. it be or become unlawful for the Issuer to perform any of its obligations under the Transaction Documents and the Security SPV has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or

9. any consent, license, permit or authorisation required by the Issuer for the conduct of its business be revoked, withdrawn, materially altered or not renewed and such situation not be remedied within 14 days after the Issuer and/or Administrator have been given written notice requiring the applicable consent, licence, permit or authorisation to be obtained; or

10. the Issuer alienate or Encumber any of its assets (other than as provided for in the Transaction documents) without the prior written consent of the Security SPV; or

11. the Issuer cease to carry on its business in a normal and regular manner or materially change the nature of its business, or through an official act of the board of directors of the Issuer, threaten to cease to carry on business.

APPENDIX D: Portfolio Covenants

Non-Owner Occupied Ratio	15.34%
Self-Employed Ratio	12.73%
Weighted Average Original LTV Ratio	78.55%
Weighted Average Current LTV Ratio	60.55%
Weighted Average Debt-to-Income Ratio	16.53%
Weighted Average Discount to Prime Rate Ratio	-1.00%
Weighted Average Seasoning	5.23 years

APPENDIX E: Priorities of Payments

Interest Pre-Enforcement Priority of Payments

Sequence (Simplified)	Interest Available Funds, which include interest and fees on the Home Loans, Derivative Contract receipts, interest earned on the Bank Accounts and all other income of a revenue nature, will be allocated in accordance with the Interest Pre-Enforcement Priority of Payments:
1	Tax and statutory expenses
2	Trustees, directors and third-party service provider fees
3	Servicer fee and Administrator fee
4	Derivative settlements and, if Derivate Counterparty is not in default or below the Required Credit Rating, Termination Amounts
5	Warehouse Facility Provider interest and fees
6	Class A Notes interest (in numerical descending order of rank)
7	Class B Notes interest, unless a Class B Interest Deferral Event is applicable
8	Replenish of the Liquidity Reserve up to its Required Amount
9	Allocate to Principal Available Funds the release of the Liquidity Reserve, should its Required Amount have decreased
10	Clear the Principal Deficiency Ledger and allocate the amount to Principal Available Funds
11	Derivative Termination Amounts if Derivate Counterparty is in default or below the Required Credit Rating
12	Subordinated Loan interest, unless a Subordinated Loan Interest Deferral Event is applicable
13	Preferred dividend

Principal Pre-Enforcement Priority of Payments

Sequence (Simplified)	Principal Available Funds, which include principal receipts, allocations in accordance with the Interest Pre-Enforcement Priority of Payments and the Redraw Reserve and Capital Reserve for their designated uses, will be allocated in accordance with the Principal Pre-Enforcement Priority of Payments:
1	To the extent that Interest Available Funds are insufficient, tax and statutory fees, costs and expenses
2	To the extent that Interest Available Funds are insufficient, trustee, directors and third-party service provider fees
3	To the extent that Interest Available Funds are insufficient, Servicer fee and Administrator fee
4	Warehouse Facility principal
5	Replenish Redraw Reserve up to its Required Amount
6	Class A Notes principal (in numerical descending order of rank)
7	Class B Notes principal
8	Allocate to Interest Available Funds interest amount due but unpaid on Notes
9	Replenish Capital Reserve
10	Purchase Additional Home Loans
11	Subordinated Loan principal
12	Preferred dividend

Post-Enforcement Priority of Payments

Sequence (Simplified)	After the delivery of an Enforcement Notice, all amounts standing to the credit of the Transaction Account and the Reserve Account, will be applied in the order of priority set out below:
1	Tax and statutory expenses
2	Trustees, directors and third-party service provider fees
3	Servicer fee and Administrator fee
4	Administrator fee
5	Derivative settlements and, if Derivate Counterparty is not in default or below the Required Credit Rating, Termination Amounts
6	Warehouse Facility Provider interest and fees
7	Warehouse Facility principal
8	Class A Notes interest (in numerical descending order of rank)
9	Class A Notes principal (in numerical descending order of rank)
10	Class B Notes interest
11	Class B Notes principal
12	Derivative Termination Amounts if Derivate Counterparty is in default or below the Required Credit Rating
13	Subordinated Loan interest
14	Subordinated Loan principal
15	Preferred dividend

APPENDIX F: Ratings Sensitivities

Security Class	Rating	15% Increase of WADF	30% Increase of WADF	15% Decrease of WARR	30% Decrease of WARR	15% Increase of WADF and 15% Decrease of WARR	30% Increase of WADF and 30% Decrease of WARR
Class A1	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A2	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A3	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AA+_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AA+_{(ZA)(sf)}$	$AA-_{(ZA)(sf)}$
Class B1	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$A_{(ZA)(sf)}$

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S GLOSSARY

Account Bank	A bank where the transaction account is held.
Accounting	A process of recording, summarising, and allocating all items of income and expense of the company and analysing, verifying and reporting the results.
Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Applicable Pricing Supplement	A transaction document that describes the particulars of notes issued.
Arranger	Usually an Investment bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Assurance	Terminology used to describe life insurance. This is common practice in Great Britain, Canada and South Africa. Insurance is usually used for the description of short-term insurance. However, the term insurance is used indiscriminately to describe both life and short-term insurance in practice.
Audit Report	A written opinion of an auditor (attesting to the financial statements' fairness and compliance with generally accepted accounting principles).
Bad Debt	An amount owed by a debtor that is unlikely to be paid due, for example, to a company going into liquidation. There are various technical definitions of what constitutes a bad debt, depending on accounting conventions, regulatory treatment and the individual entity's own provisioning and write-off policies.
Basel	Basel Committee on Banking Supervision housed at the Bank for International Settlements.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Borrower	The party indebted or the person making repayments for its borrowings.
Calculation Agent	An agent appointed by the Issuer to calculate the: 1.) Coupon in accordance with the Applicable Pricing Supplement; 2.) Other related fees and expenses and Priority of Payments; and 3.) Transaction covenants.
Call Option	A security that gives the holder or buyer the right but not the obligation to buy an underlying instrument at an agreed price (the strike price) within a specified time. The seller or writer has the obligation to sell the underlying instrument if the holder exercises the option.
Capacity	The largest amount of insurance available from a company. In a broader sense, it can refer to the largest amount of insurance available in the marketplace.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Cede	To transfer all or part of a risk written by an insurer (the cedant or primary company) to a reinsurer.
Cession	Amount of the insurance ceded to a reinsurer by the original insuring company (cedant) in a reinsurance transaction.
Claim	1. A request for payment of a loss, which may come under the terms of an insurance contract (insurance). 2. A formal request or demand (corporate finance).
Collateral	Asset provided to a creditor as security for a loan or performance.
Concentrations	A high degree of positive correlation between factors or excessive exposure to a single factor that share similar demographics or financial instrument or specific sector or specific industry or specific markets.
Conditions	Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.
Contract	An agreement by which an insurer agrees, for a consideration, to provide benefits, reimburse losses or provide services for an insured. A 'policy' is the written statement of the terms of the

	contract.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Enhancement	Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.
Creditor	A credit provider that is owed debt obligations by a debtor.
Debt Sponsor	Usually as Investment bank that brings a transaction to the capital markets, similar to an Arranger.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Deductible	The portion of an insured loss to be borne by the insured before he is entitled to recovery from the insurer.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Delegate	A form of novation, a change in creditor or debtor, co-operation of all parties to the agreement, both the old and new creditor or debtor.
Delegation	A form of novation, a change in creditor or debtor, co-operation of all parties to the agreement, both the old and new creditor or debtor.
Derivative	A financial instrument that offers a return based on the return of another underlying asset.
Desktop	An assessment of the property value, with the value being compared to similar properties in the area.
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Downgrade	The rating has been lowered on its specific scale.
Eligibility Criteria	Limitations imposed on the type and quality of assets that can be sold by the Originator / Servicer into the Securitisation vehicle which ensure the transaction will track the performance of historical data analysed as closely as possible.
Enforcement	To make sure people do what is required by a law or rule et cetera.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Excess Spread	The net weighted average interest rate receivable on a pool of assets being greater than the weighted average interest rate payable for the debt securities.
Exercise	To exercise an option is to use the right of the holder to buy or sell the underlying asset on which the option is based at the strike price.
Facility	The grant of availability of money at some future date in return for a fee.
Fix	The setting of a currency or commodity price for trade at a future date.
Foreclosure	Legal proceedings initiated by a creditor to repossess the collateral for obligations that have defaulted.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Guaranteed Investment Contract	A contract that guarantees the principal and interest repayment over a period of time. Typically GIC are used in relation to a bank account.
Hedge	A form of risk management aimed at mitigating financial loss or other adverse circumstances. May include taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
Income	Money received, especially on a regular basis, for work or through investments.
Indemnity	A security or protection against a loss or other financial burden.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
Insolvency Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special Purpose Vehicle. Typically a Security Special Purpose Vehicle should be bankruptcy remote.

Insolvency	When an entity's liabilities exceed its assets.
Instalment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 1.) Satisfy the due or unpaid interest charges; 2.) Satisfy the due or unpaid fees or charges; and To reduce the amount of the principal debt.
Interest Rate Risk	The potential for losses or reduced income arising from adverse movements in interest rates.
Interest Rate Swap	An interest rate swap is an agreement in which two parties make interest payments to each other for a set period based upon a notional principal.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Lender	A credit provider that is owed debt obligations by a debtor.
Liabilities	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan To Value	Principal balance of a loan divided by the value of the property that it funds. LTVs can be computed as the loan balance to most recent property market value, or relative to the original property market value.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market Value Decline	A decline in the market value of residential properties.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Net Loss	The amount of loss sustained by an insurer after giving effect to all applicable reinsurance, salvage, and subrogation recoveries.
Noteholder	Investor of capital market securities.
Notional Amount	The nominal or face value of an instrument. Also called notional principal.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
Origination	A process of creating assets.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Overnight Rate	The overnight rate is the interest rate at which money due to be returned the next day is lent by one bank to another.
Owner Trust	Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Paying Agent	An appointed transaction party that is responsible for the payment of Noteholders scheduled interest and principal, as well as other transactional obligations.
Payment Date	The date on which the payment of a coupon or dividend is made.
Performing Loan	A loan is said to be performing if the borrower is paying the interest on it on a timely basis.
Performing	An obligation that performs according to its contractual obligations.
Pledge	An asset or right delivered as security for the payment of a debt or fulfilment of a promise, and subject to forfeiture on failure to pay or fulfil the promise.
Pool	An organisation of insurers or reinsurers through which particular types of risk are underwritten and premiums, losses and expenses are shared in agreed-upon amounts.
Portfolio	A collection of investments held by an individual investor or financial institution. They may

	include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Preference Share	Preference or preferred shares entitle a holder to a first claim on any dividend paid by the company before payment is made on ordinary shares. Such dividends are normally linked to an interest rate and not determined by company profits. Preference shares are normally repayable at par value in the event of liquidation. They do not usually carry voting or pre-emptive rights. Preference shares can be redeemable or perpetual.
Prepayment Rate	The rate of prepayment in relation to the pool of obligations. Also called prepayment speed.
Prepayment	Any unscheduled or early repayment of the principal of a mortgage/loan.
Pricing	A process of determining the price of a debt security.
Prime Rate	The benchmark interest rate that banks charge their customers.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Proceeds	Funds from issuance of debt securities or sale of assets.
Property	Movable or immovable asset.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Public Ratings	See GCR Rating Scales, Symbols and Definitions.
Ranking	A priority applied to obligations in order of seniority.
Rated Securities	Debt securities that have been accorded a credit rating.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Recourse	A source of help in a difficult situation.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Reference Rate	A rate that is the basis of the calculation such as JIBAR.
Refinance	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Replacement Servicer	A Servicer that would replace the existing Servicer in event of default or non-performance. An entity that is retained to stand ready to assume servicing responsibilities upon the termination of the initial servicer. A backup servicer is generally required to maintain a complete set of servicing records and systems for the related financial assets permitting it to assume servicing within a short period after termination of the servicer.
Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Reserves	A portion of funds allocated for an eventuality.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Seasoning	The age of an asset, the time period passed since origination.
Secured Creditor	A creditor that has specific assets pledged as collateral that will receive the proceeds in the event of default.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	A process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties that specifies the collateral held as security.
Security Special Purpose Vehicle	A Special Purpose Vehicle that has been created to realise and hold the security of the performance of the obligations of the Issuer that sold its assets to the Security SPV.
Security	One of various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
Servicing	The calculation of interest and repayments, collection of repayments, advancing of loans, foreclose procedures, maintaining records and seeing that the proceeds of each loan are passed on to the respective party.
Settlement	Full repayment of an obligation.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.

Short Term	Current; ordinarily less than one year.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. An SPV is normally bankruptcy/insolvency remote and created to isolate financial risk.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Statutory	Required by or having to do with law or statute.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Swap	An exchange of payment streams between two parties for their mutual benefit. Swaps can involve an exchange of debt obligations, interest payments or currencies, with a commitment to re-exchange them at a specified time.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Trigger Event	An event caused by transactional performance or environmental changes that would impact a transaction.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.
Waterfall	In securitisation, the order in which the cash flows are allocated to the transaction parties.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

For a detailed glossary of terms utilised in this announcement please click here.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, securities or financial instruments being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, securities or financial instruments; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

The credit ratings have been disclosed to the Arranger. The ratings above were solicited by, or on behalf of, the Issuer and therefore, GCR is compensated for the provision of the ratings.

Investec participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Investec and other reliable third parties to accord the credit rating included:

- Earmarked home loan pool cut dated 31 July 2019
- Historical performance data (including arrears, defaults and prepayments)
- Data on Further Advances as percentage of aggregate Investec residential portfolio
- Signed Transaction documentation, including:
    - Applicable Pricing Supplements
    - Programme Memorandum
    - Memoranda of Incorporation of Issuer and Security SPV
    - Trust Deeds of Issuer Owner Trust and Security SPV Owner Trust
    - Indemnity
    - Account Bank Agreement
    - Administration Agreement
    - Common Terms Agreement
    - Deeds of Cession and Pledge
    - Guaranteed Investment Contract
    - Deed of Suretyship
    - Guarantee
    - Warehouse Facility Agreement
    - Preference Share Subscription Agreement
    - Pre-Issue Sale Agreement
    - Sale Agreement
    - Servicing Agreement
    - Subordinated Loan Agreement
    - ISDA CSA Master Agreement
    - ISDA CSA Schedule
    - ISDA Swap Confirmation
    - ISDA Schedule
- Legal and tax opinions

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